ISSUE #07

8/11/24

Sunday Dump

WEEKLY NEWSLETTER

Welcome to the Sunday Dump, your weekly 5 minute digest of the most exciting developments in finance, economics and current events.

Markets

This week, the US stock market experienced varied performance as investors reacted to key earnings reports and broader economic indicators. The NASDAQ declined by 2.5%, the S&P 500 dropped by 1.2%, and the Dow Jones Industrial Average saw a dip of 0.8%.

Disney Delivers

Disney reported earnings before the bell that topped analyst estimates for both revenue and earnings per share. A significant highlight was Disney's combined streaming businesses—Disney+, Hulu, and ESPN+—which turned a profit for the first time, ahead of the company's previous guidance that this milestone would be reached in the fourth quarter. This positive result was a bright spot for Disney, showcasing the growing strength and potential of its streaming platforms. However, the company's parks and experiences segment faced challenges, with pressure from lower consumer demand and the impact of inflation weighing on results. Despite these headwinds, Disney's overall performance provided some reassurance to investors, although concerns about future growth, particularly in its traditional media segments, remain.

The broader market continued to experience a rotational trade away from tech stocks as investors shifted their focus to sectors that might offer more stability in the face of potential economic shifts. This rotation, coupled with mixed earnings reports, has added to the uncertainty surrounding the market's direction as investors keep a close eye on economic indicators and upcoming Federal Reserve decisions.

International Markets

You may have heard that Japan's economy took a dive recently, dragging its markets down with it. But how did this happen, and why are the two so closely linked? For years, borrowing money in Japan was incredibly cheap—so much so that banks had negative interest rates, meaning they would essentially pay you to borrow money. This made Japan a hub for "carry trades," where investors borrow in low-interest-rate countries (like Japan) and invest in higher-yielding assets in countries with higher rates, such as America. Recently, however, the Bank of Japan (BOJ) noticed that the yen was weakening significantly, which could lead to inflationary pressures. In response, the BOJ raised interest rates for the first time in 17 years. Meanwhile, the U.S. Federal Reserve decided to pause its rate hikes this summer, increasing the value of the yen compared to the U.S. dollar. This created a dilemma for carry trade investors. Not only were they now facing higher interest costs on their Japanese loans, but the yen's sudden strength also meant they were losing money on currency conversions. Many of these investors were hit with margin calls—where banks require them to prove they can repay their loans. To cover these, investors were forced to sell off U.S. stocks, contributing to downward pressure in the market.

But don't panic! If you're a regular investor, this situation might not affect you much. In fact, with market prices dipping, this could be an opportunity to buy stocks at a discount while others are scrambling to cover their losses!

Economic Data

Fears of a recession continued to mount last week even as major economists tried to calm fears. Major companies like JP Morgan and Goldman Sachs raised their odds for a US recession, predicting a 35 percent and 25 percent chance, respectively. The New York Fed's recession probability model predicted a 56 percent chance of a recession in the next 12 months. On the positive side, the Department of Labor's weekly news release showed jobless claims at 233,000, which was 7,000 lower than most estimates.

Republican nominee Donald Trump also showed more interest in playing a more influential role in the Fed in his news conference last week. While he'd previously been critical of current Fed Chair Jerome Powell, he recently promised that he'd at least let Powell finish his term before replacing him. Even still, this would require substantial changes to how the Fed currently works. While members of the Fed are appointed by the president and the chair is chosen by the president and confirmed by Congress, the Fed itself operates largely outside of Washington's influence.

That's because the necessary monetary policy and the monetary policy that makes a politician look good are often contradictory. The early 1970s, in which President Richard Nixon helped push the US into inflation by pressuring the Fed to lower interest rates even as prices rose, offers a strong example. Still, with other Republican lawmakers calling for more control of the Fed, it is uncertain if Trump will go the extra step of making legislative changes to increase the executive branch's control.

Stock of the Week

T-Mobile, trading at $194.20 as of August 9, 2024, with a market cap of $226.59 billion and a P/E ratio of 24.32, has shown strong performance. Over the past week, its stock price rose by 3% from $187.98. The company's Q2 2024 results featured an EPS of $2.49 and revenue of $20.3 billion, up 2.9% year over year. T-Mobile also repurchased $2.3 billion in shares and upgraded its 2024 guidance for customer growth and cash flow. The company remains a leader in 5G coverage, reaching 98% of the United States, and has invested in community initiatives, including a $2 million high school football field makeover. T-Mobile's support for first responders during wildfires highlights its commitment to social responsibility.

Sunday Dump

Upcoming Week...

WEEK OF 8/11/24

Monday

- PMI Output Index

Tuesday

- Core PPI
- Home Depot Earnings ~$HD

Wednesday

- CPI Report
- Core Inflation YoY/MoM
- UBS Earnings ~$UBS

Thursday

- Retail Sales YoY/MoM
- Walmart Earnings~$WMT

Friday

- Fed Goolsbee Speech

Sat-Sun

- Sunday Dump Seminar

Key Economic Data **Key Stock Events**

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Thanks for reading

SUNDAY DUMP'S WEEKLY NEWSLETTER

Written by Rishabh Shekdar, Saksham Gupta, Advaith Praveen, Mark Dutta, Seiji Yoshihira, Arjun Arya, and Abhinav Maramraju